

RBI Press Release

FII Investments in Indian Companies to go by sectoral caps (September 20, 2001)

It has been decided in consultation with the Government of India that Foreign Institutional Investors (FII) investments in Indian companies can now be increased beyond 24 per cent upto the sectoral cap/statutory ceiling, as applicable, provided this has the approval of the Indian company's board of directors as also its general body.

Full notification No.FEMA 45/2001-RB dated September 20, 2001 issued by the Reserve Bank of India is available on RBI site at www.rbi.org.in or at www.fema.rbi.org.in.

Reserve Bank reduces Interest Rates on Export Credit Across the Board (September 24, 2001)

The Reserve Bank of India has announced reduction in interest rates for export credit by 1.0 percentage point across the board. This reduction will apply to both, pre-shipment and post-shipment credits.

As per instructions issued by the Reserve Bank today, the maximum rate that the bank should charge to exporters will be 2.5 percentage points below its prime lending rate for pre-shipment credit up to 180 days and for post-shipment credit up to 90 days. Earlier, the ceiling rate was 1.5 percentage point below the prime lending rate. This further concession will apply in respect of all export credit granted by banks effective September 26, 2001 and up to March 31, 2002.

The Reserve Bank spokesperson added that in addition to the above facility for rupee credit, exporters would continue to have the facility of foreign currency loans in the currency of their choice at highly internationally competitive rates. The rate for foreign currency loans to exporters will continue to be LIBOR plus a maximum of 1.0 percentage point. Thus, currently dollar-denominated foreign currency loans can be availed by exporters at no higher than 3.0 per cent (LIBOR rate) + 1.0 per cent, i.e., 4.0 per cent.

The spokesperson also added that even in regard to rupee loans, the exporter, while availing the concessional credit, can sell the export proceeds in the forward market. Assuming a PLR of 10.5 per cent, the ceiling for interest rate on export credit would be 8.0 per cent; and adjusting for forward premia which are currently over 5 per cent, the effective interest rates to exporters on rupee loans can also come down to as low as three per cent.